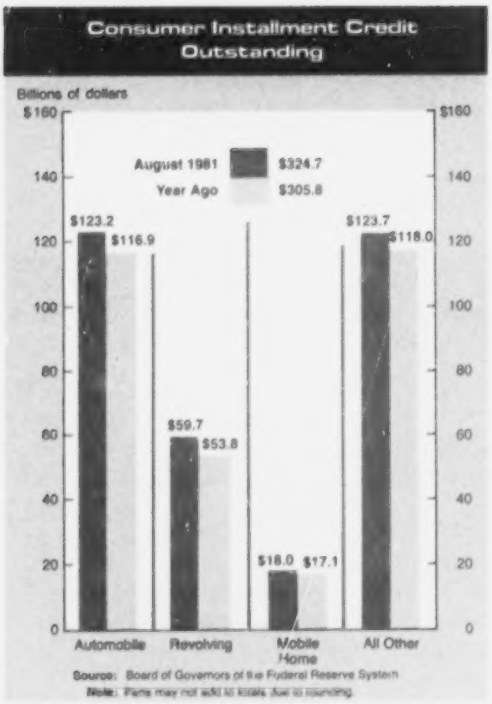
FINANCE FACTS
NOVEMBER 1981



CONSUMER INSTALLMENT CREDIT

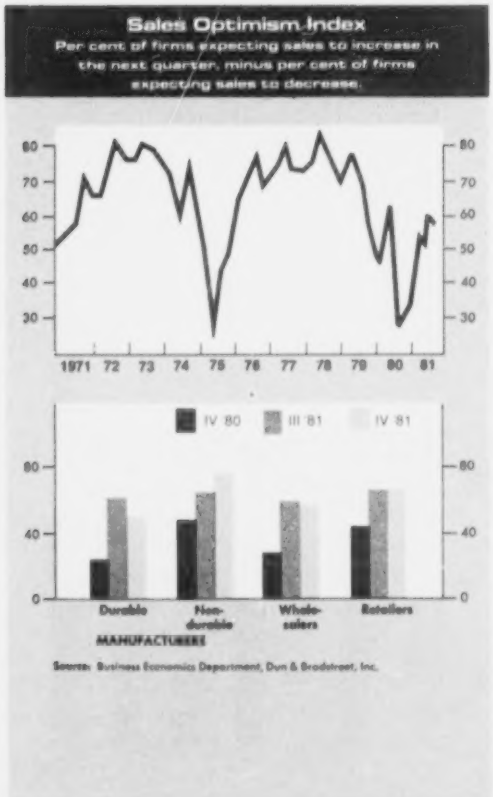
Total consumer installment credit at end August 1981 was $324.7 billion. Of this amount, $123.2 billion was outstanding in automobile credit, $59.7 billion in revolving credit, $18.0 billion in mobile home credit and $123.7 billion in all other credit (consisting of other consumer goods and personal loans).

During August 1981, total installment credit outstanding increased by $3.8 billion — automobile credit increased $2.2 billion, revolving credit was up $0.8 billion, mobile home credit was up $0.2 billion and all other credit was up $0.6 billion.

Net change over month by institution was increase of $0.7 billion for commercial banks. Finance company outstandings increased $2.2 billion, made up almost entirely of automobile credit ($1.9 billion) with personal loans of $0.2 billion. Credit unions increased $0.5 billion, credit at retailers increased very slightly, gasoline companies were up $0.1 billion, savings and loans were up $0.1 billion. Mutual savings banks showed a minor decrease.

Net change in installment credit outstanding since end of August 1980 amounted to increase of $18.9 billion. Revolving credit increased $6.0 billion, mobile home credit $0.9 billion, automobile credit $6.4 billion and all other credit $5.6 billion.

Over the year finance company increase was $11.7 billion, retailers, $2.6 billion, savings and loans $2.0 billion, gasoline companies $1.0 billion, mutual savings banks $0.1 billion and credit unions $3.3 billion. Commercial banks outstandings decreased $1.8 billion.


Sales Optimism Index
Per cent of firms expecting sales to increase in the next quarter, minus per cent of firms expecting sales to decrease.
1971 72 73 74 75 76 77 78 79 80 81
IV '80
III '81
IV '81
Durable
Non-durable
Wholesalers
Retailers
MANUFACTURERS
Source: Business Economics Department, Dun & Bradstreet, Inc.

BUSINESSMEN'S EXPECTATIONS

Sales and profits optimism of business executives ebbed slightly in regard to prospects for final quarter 1981, according to Dun and Bradstreet's latest survey of expectations. Interviews of some 1,363 manufacturers, wholesalers and retailers, however, showed that they remained considerably more confident than in first half of year. As well, for first time in 1981, outlook of the survey respondents shifted hopefully on inflation.

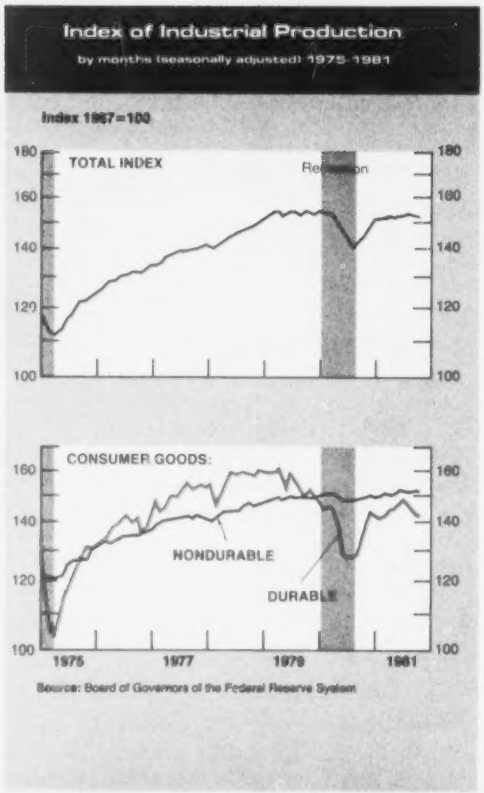
Sales Optimism Index (percentage expecting increases minus percentage expecting decreases) dipped two points to 59 from five-quarter peak of 61 reached in preceding survey. Retailers and wholesalers showed little change in their predictions. Within manufacturing, there was drop of 13 points in confidence among durable goods makers, non-durable goods makers raised expectations to highest reading since second quarter 1979.

Profits Optimism Index eased three points to 44 from 47 but held above readings for first and second quarters of 1981 and above any quarter of 1980. Only among non-durable goods manufacturers did the outlook on bottom line improve. Wholesalers and durable goods makers became less confident about earnings prospects in fourth quarter.

INDUSTRIAL PRODUCTION

Industrial production declined by estimated 0.8% in September, following a 0.3% reduction in preceding month. Index for July is now indicated to have risen 0.6% rather than 0.3%. In September, reductions in output were widespread. Large declines were registered in durable goods materials, construction supplies, and durable goods for the home. At 152.1% of 1967 average, industrial production in September was 5.3% above level year earlier, but 0.9% below March 1979 peak.

Output of consumer goods decreased 0.3% in September, auto assemblies were reduced 3.75% further in September to a 6.2 million unit annual rate. Production of durable home goods declined estimated 1.2%, output of consumer nondurable goods edged down 0.2%. Output of business equipment declined 0.3%.



PRODUCER PRICE INDEXES

Producer Price Index for Finished Goods edged up 0.2% from August to September on seasonally adjusted basis, Bureau of Labor Statistics reported. This compares with an average monthly increase of 0.3% in 4 preceding months. Prices for intermediate goods rose 0.1%, even less than in other recent months. Crude material prices fell 1.1%, following 0.6% drop in August. Before seasonal adjustment, Producer Price Index for Finished Goods was virtually unchanged at 271.1 (1967 = 100). Over year, Finished Goods Price Index was up 7.8%.

BUSINESS SPENDING

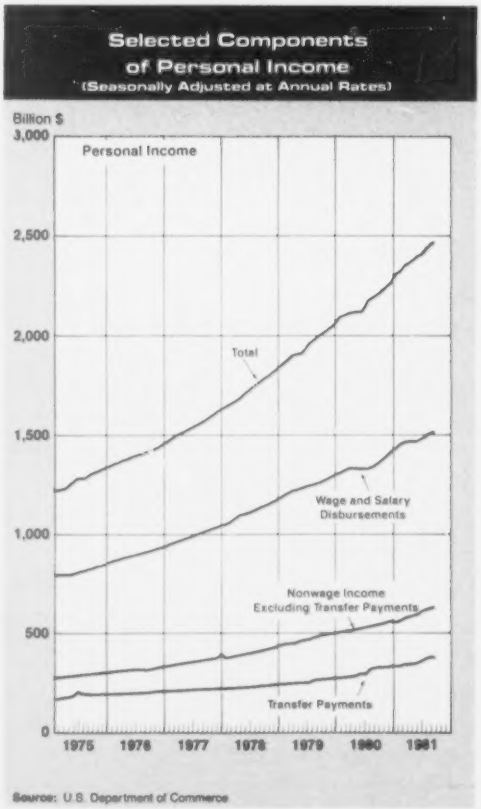
U.S. nonfarm business plans to spend $321.5 billion for new plant and equipment this year, 8.8% more than in 1980, according to U.S. Department of Commerce. An 8.4% increase was reported in June and a 10.2% increase was reported in March. Spending in 1980 was $295.6 billion, 9.3% more than in 1979. Spending in second quarter 1981 increased 1.4% to seasonally adjusted annual rate of $316.7 billion, following 4.2% increase in first quarter. Plans indicate that spending will increase 2% in third quarter and 3% in fourth.

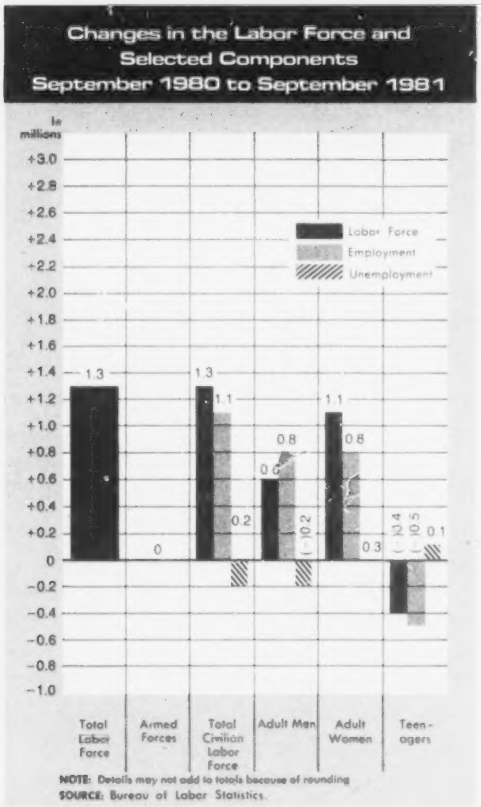
PERSONAL INCOME

Personal income increased $19.6 billion in September to seasonally adjusted annual rate of $2,460.6 billion, according to U.S. Department of Commerce. In August, personal income increased $22.8 billion.

Wages and salaries and other labor income increased $11.1 billion in September. Nonfarm proprietors' income was unchanged in September, farm proprietors' income decreased $0.8 billion. Income from rent, dividends and interest increased $7.4 billion. Transfer payments increased $2.2 billion.

Personal outlays decreased $0.6 billion in September, taxes up $4.8 billion. Saving increased $15.5 billion. Purchases of durable goods decreased $11.5 billion. Purchases of nondurable goods increased $2.3 billion, purchases of services increased $8.2 billion.





EMPLOYMENT SITUATION

Overall employment situation continued to show weakness in September, U.S. Department of Labor reported. Jobless rate was 7.5%, up from 7.2% in August and 7.0% in July. Total employment fell by 675,000 in September to 98.3 million. Increase in Nation's unemployment rate in September was concentrated among persons 25 years and over, both men and women. Unemployment among persons 20-24 years, which had shown considerable volatility in recent months, was about unchanged in September. Joblessness among teenagers was also little changed over the month.

CAPACITY UTILIZATION

Capacity utilization rate for manufacturers fell 0.8 of percentage point in September to 78.5%, and operating rate for materials producers declined 1.0 percentage point to 80.4%. These declines followed smaller reductions in August. Both rates were lower in September than they have been since October 1980. Within manufacturing, rate for primary processing industries dropped 1.5 percentage points to 78.2%, while rate for advanced processing industries fell 0.5 of percentage point to 78.6%. Producers of durable goods materials operated at 77.4% of capacity in September, down from 79.0% in August, rate for producers of nondurable goods materials was about unchanged.

FOREIGN MULTINATIONALS

Majority of world's largest corporations are no longer American-based firms but foreign multinationals, according to report released by The Conference Board. While U.S. accounted for 58 of world's 100 largest industrial corporations as recently as 1971, it had only 47 in 1979, latest year for which official data are available. While U.S. boasted 280 of world's 500 largest industrial firms in 1971, number has now dropped to 219.

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FINANCE FACTS

A Monthly Publication on Consumer Financial Behavior

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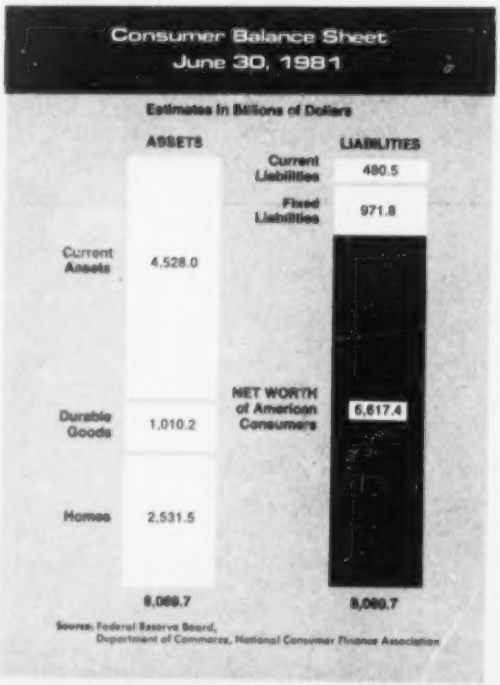
DECEMBER 1981

CONSUMER BALANCE SHEET

Total assets of consumers are estimated at $8,069.7 billion as of June 30, 1981. At the same time, consumers had liabilities of $1,452.2 billion leaving them a net worth of $6,617.4 billion.

Current (financial) assets were estimated at $4,528.0 billion. Fixed assets included $2,531.5 billion in owner-occupied housing and land, and $1,010.2 billion as the value of durable goods for a total of $3,541.7 billion. Current liabilities stood at $480.5 billion and fixed liabilities of mortgage debt at $971.8 billion to bring total liabilities to $1,452.3 billion.

Assets and debt position of the American consumer at end of June 1981 showed 11.5 to 1 asset-to-debt ratio of all assets and debts excluding those involving homeownership where the ratio was 2.6 to 1. The ratio of all assets to all debts was 5.6 to 1. Owners' equity stood at 82.0% of consumer assets at end of June 1981.



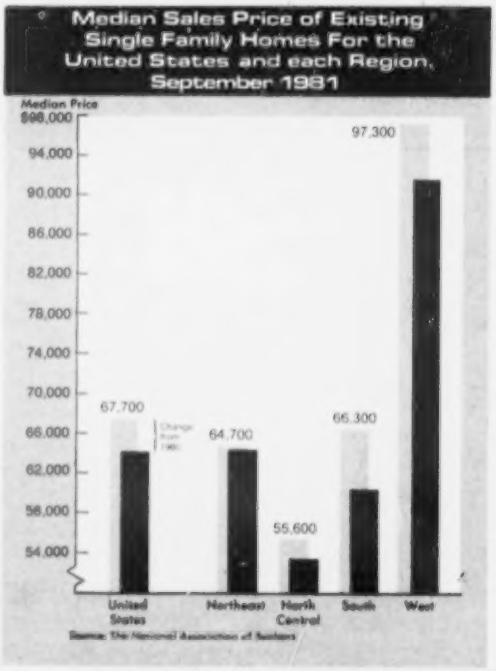
CAPACITY UTILIZATION

Capacity utilization in manufacturing fell 1.5 percentage points in October, following revised 1.2 percentage point drop in September and decline of 0.2 of percentage point in August. At 76.9%, October index for manufacturing is 2.0 percentage points above its July 1980 low.

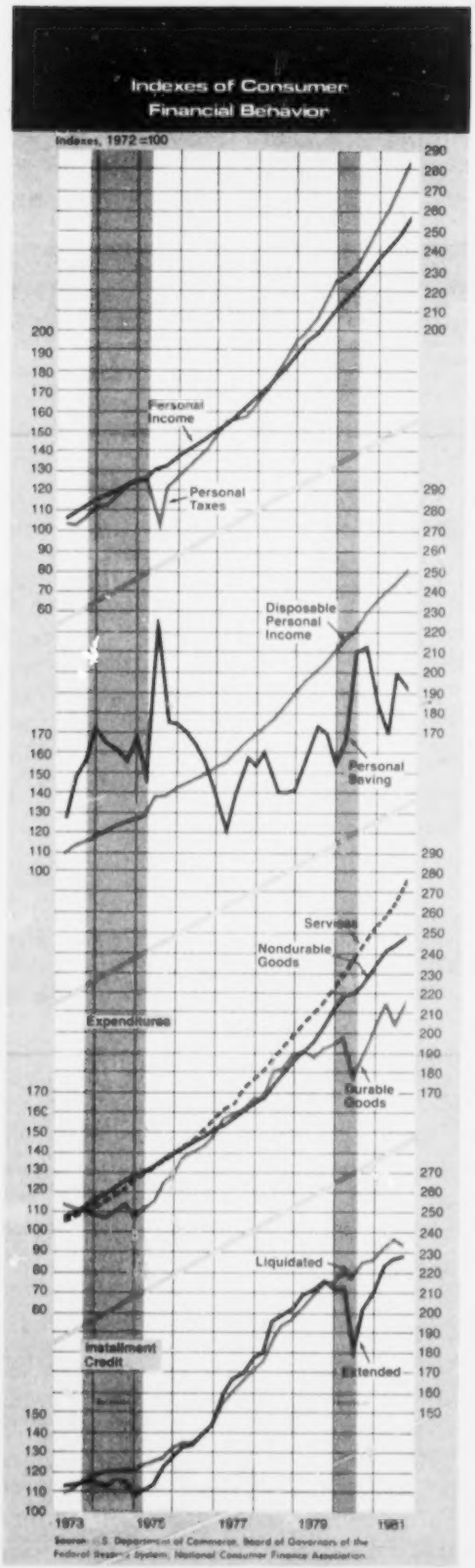
Producers of industrial materials operated at 78.2% of capacity in October, down 2.0 percentage points from their September rate. The materials utilization rate in October was 4.4 percentage points above recent low in July 1980. Utilization rate for producers of durable goods materials dropped 2.6 percentage points to 74.8%, reflecting large declines in the production of aluminum, raw steel, and parts for consumer durable goods and for equipment. Producers of nondurable goods materials utilized 81.3% of capacity in October, decline of 1.5 percentage points from September.

EXISTING HOME SALES

In September, sales of existing single-family homes dropped to seasonally adjusted annual rate of 2,070,000 units—lowest level in six and a half years. The 8.4% drop in sales activity in September comes on top of 10.3% decline in August and establishes a new low for this housing cycle. So far during this cycle total drop in resale activity from peak to trough has been 48.5%, roughly 2.5 times as deep as either of the previous two declines. In September median sales price of existing homes registered seasonal decline, falling $400 to $67,700. At current level, the median price is 5.5% above same month year ago.



FINANCE FACTS
DECEMBER 1981



CONSUMER FINANCIAL BEHAVIOR

All but two indexes were up in third quarter 1981. Largest percentage increase was registered by durable goods expenditures, up 11.4 points (5.6%) to 216.0 (1972=100). The two indexes that fell were personal saving, down 12.2 points (6.0%) to 190.5 and installment credit liquidated, down 2.9 points (1.2%) to 232.1.

Personal income index increased 7.6 points (3.1%) in third quarter 1981. Personal taxes increased 12.0 points (4.4%) and disposable personal income rose 6.8 points (2.8%).

Nondurable goods index increased 4.9 points (2.0%) in third quarter while expenditures on services increased 9.8 points (3.7%).

Installment credit extended increased 2.8 points (1.2%) in third quarter. Even as installment credit liquidated index fell it continued to exceed the credit extended index, as it has since the beginning of 1980.

Indexes for third quarter 1980 and second and third quarter 1981 (indexes 1972=100) are shown in the following table:

	1980	1981	
	Third Quarter	Second Quarter	Third Quarter
Personal Income	229.4	248.9	256.5
Personal Taxes	242.2	271.6	283.6
Disposable Personal Income	227.2	245.0	251.8
Personal Saving	211.8	202.7	190.5
Durable Goods Expenditures	187.9	204.6	216.0
Nondurable Good Expenditures	224.3	244.6	249.5
Expenditures on Services	245.7	266.4	276.2
Installment Credit Extended	202.3	225.3	228.1
Installment Credit Liquidated	224.7	235.0	232.1

GROSS NATIONAL PRODUCT

Gross national product increased $61.2 billion or 8.8% at seasonally adjusted annual rate in third quarter 1981 to $2,947.0 billion, according to U.S. Department of Commerce. In second quarter, GNP increased $32.8 billion or 4.7%. Real output decreased 0.6% at an annual rate in third quarter, compared with decrease of 1.6% in second. Decrease in real output was attributable to both final sales and inventories. Real final sales decreased 0.5%, inventory accumulation decreased slightly. Prices, as measured by the GNP fixed-weighted price index, increased 9.2% in third quarter, compared with 7.9% in the second, primarily due to prices paid by consumers for food and services.

PRODUCTIVITY

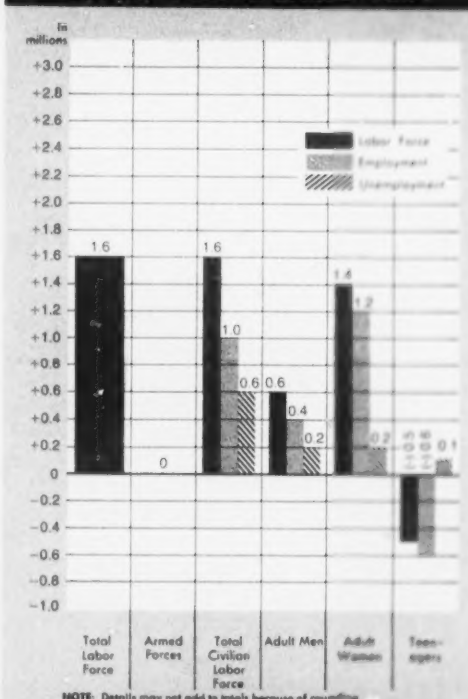
Productivity in private business sector declined 1.9% at seasonally adjusted annual rate in third quarter 1981, according to Bureau of Labor Statistics. This was first falloff in productivity in this sector since 1.1% decline during fourth quarter 1980, and largest decrease since 2.3% drop during first quarter 1978. Decline during third quarter 1981 followed 3.5% increase during second quarter.

EMPLOYMENT SITUATION

Unemployment rose sharply in October, and nonfarm payroll employment declined, U.S. Department of Labor reported. October's unemployment rate was 8.0%, up from 7.5% in September and 1981 low of 7.0% in July. Nonfarm payroll employment fell by 200,000 in October to 91.7 million. Total employment was about unchanged at 98.2 million, after declining markedly in September. Number of unemployed persons increased by 550,000 in October to 8.5 million. Though this increase was widespread, it was particularly sharp among adult men, whose jobless rate rose from 6.2% to 6.7%.

Unemployment rates rose markedly in October for teenagers (20.6%), and full-time workers (7.7%). There was small over-the-month increases for adult women (7.0%). For second straight month, sizable rise in unemployment took place among blue-collar workers, whose October rate of 11.0% was at its highest point this year but still slightly below 1980 highs.

Changes in the Labor Force and Selected Components October 1980 to October 1981



NOTE: Details may not add to totals because of rounding.
SOURCE: Bureau of Labor Statistics.

CONSUMER INSTALLMENT CREDIT

Total consumer installment credit at end September 1981 was $328.3 billion. Of this amount, $125.6 billion was outstanding in automobile credit, $60.4 billion in revolving credit, $18.2 billion in mobile home credit and $124.1 billion in all other credit (consisting of other consumer goods and personal loans).

During September 1981, total installment credit outstanding increased by $3.6 billion—automobile credit increased $2.4 billion, revolving credit was up $0.7 billion, mobile home credit was up $0.2 billion and all other credit was up $0.4 billion.

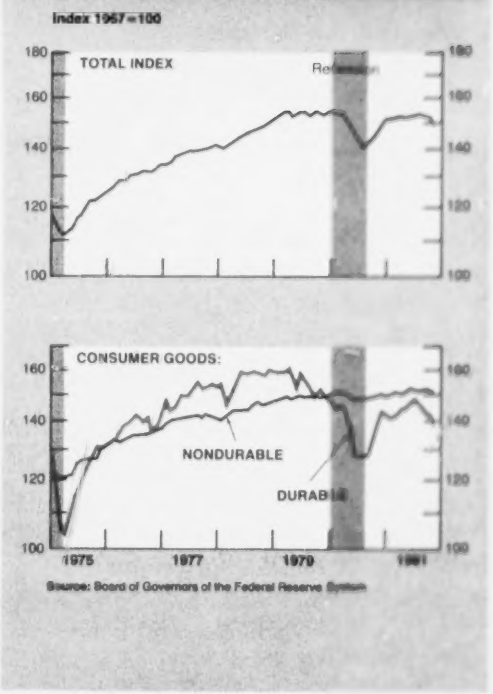
Net change over month by institution was increase of $0.5 billion for commercial banks. Finance company outstandings increased $2.5 billion, made up almost entirely of automobile credit ($2.4 billion). Credit unions increased $0.2 billion, credit at retailers increased $0.2 billion, gasoline companies were up $0.1 billion, savings and loans were up $0.1 billion.

INDUSTRIAL PRODUCTION

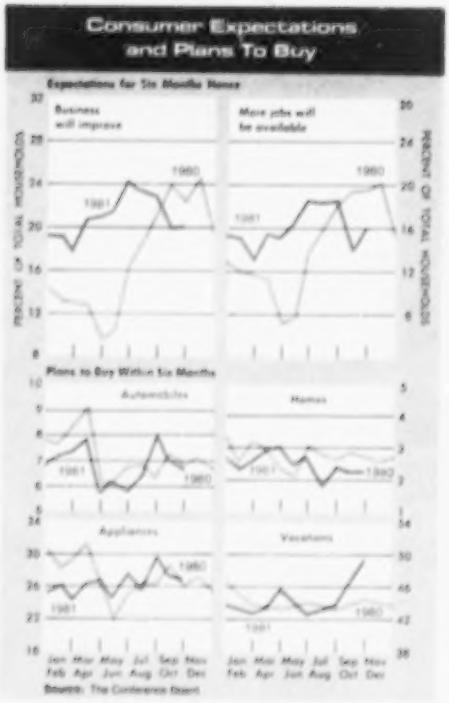
Industrial production fell estimated 1.5% in October following revised drop of 1.2% in September and decline of 0.2% in August. Again in October, most of the overall reduction in output occurred in durable materials, construction supplies, and autos; declines also occurred in production of most other materials and products. At 149.5% of 1967 average, October index was 2.9% below recent peak of total industrial production in July.

Output of consumer goods declined 0.9% in October, following similar decreases in two preceding months. Auto assemblies were reduced about 11% to annual rate of 5.5 million units. Production of home goods was cut 1.1% further last month. Consumer nondurable goods output declined 0.4%. Output of construction supplies was reduced an estimated 3.8% following sizable decline last month, and was 10% below recent peak last March.

Index of Industrial Production
by months (seasonally adjusted) 1975-1981



Source: Board of Governors of the Federal Reserve System



CONSUMER CONFIDENCE

Level of consumer confidence declined again in October the Conference Board reported. The Board's Index (1969-70=100) fell to 68.5 for loss of close to four points. More persons than last time say business conditions are bad, and there has also been an increase in concern about jobs. In looking ahead to the next six months, respondents who believed that conditions would improve only slightly outnumbered those who feared they would worsen. On the question of employment, more persons than last time now fear that jobs will grow sparser.

Buying plans are also down for second consecutive month. Some 6.6% of all those contacted indicated that they plan to purchase an automobile in months ahead, down from 7% last time. Interest in homes was expressed by 2.3% of those surveyed, still exceptionally low. Plans to buy a major appliance have edged off moderately, this series, too, is at a depressed level.

PERSONAL INCOME

Personal income increased $14.3 billion in October to seasonally adjusted annual rate of $2,476.7 billion, according to U.S. Department of Commerce. In September, personal income increased $18.2 billion.

Wages and salaries and other labor income increased $7.3 billion in October. Nonfarm proprietors' income decreased $0.1 billion in October, farm proprietors' income decreased $0.6 billion. Income from rent, dividends and interest increased $6.7 billion. Transfer payments increased $1.6 billion.

Personal outlays decreased $3.7 billion in October, taxes were down $10.4 billion. Saving increased $28.4 billion. Purchases of durable goods decreased $13.7 billion. Purchases of nondurable goods increased $1.2 billions, purchases of services increased $8.3 billion.

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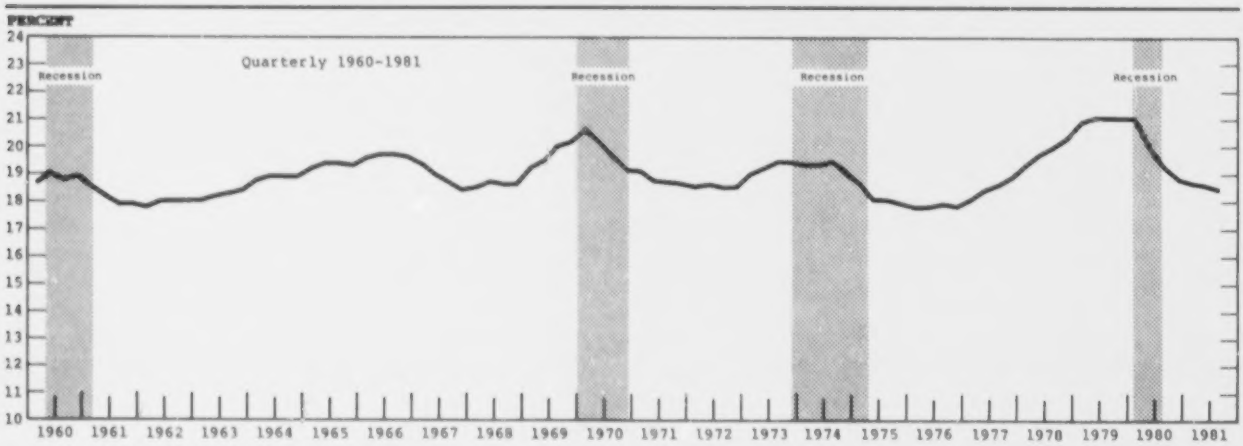
Ratio of Consumer Installment Credit Outstanding to Consumer Sector's Liquid Assets



Source: Federal Reserve Board, National Consumer Finance Assoc.

As the economy enters its second recession in less than 24 months (see inside of this report), questions inevitably arise about the financial condition of the large and important consumer sector. Consumer installment credit outstanding rose rapidly 1976-79, and the number of personal bankruptcies has soared since late 1979 -- a period which includes a full recession. Taken together, but apart from other information about causes of business cycles or personal bankruptcies, these trends might suggest the possibility of an important causal connection running from borrowing to debt burden to recession to bankruptcy. However, a closer look at the numbers reveals that the consumer sector's net short-term financial condition has changed little over the past generation. Rather than the aforementioned causal connection, this suggests two important contrary conclusions: 1) instead of being "overburdened" with short-term debt the consumer sector appears no worse off today and no less able to contribute to economic recovery in 1982 than in prior recessionary periods; and 2) the search for causes of the post-1979 bankruptcy phenomenon should concentrate on other factors such as legal changes.

In current dollar terms consumer installment credit outstanding increased from $44 billion in the third quarter of 1960 to more than $326 billion in the third quarter of 1981, a compound growth rate of 10 percent over the period. Growth in the period 1976 through 1979 was at a 16 percent rate compounded.

(text continued on back page)

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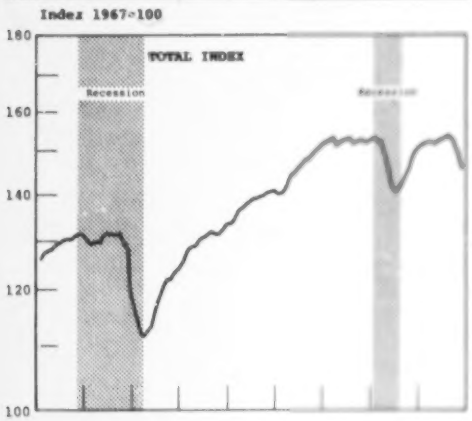
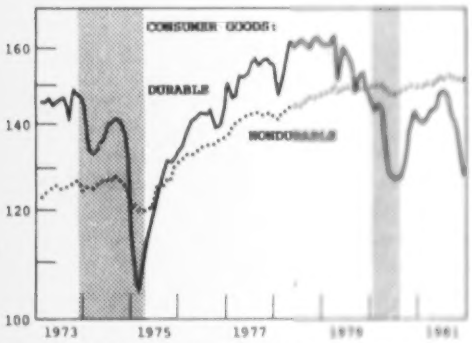
Index of Industrial Production

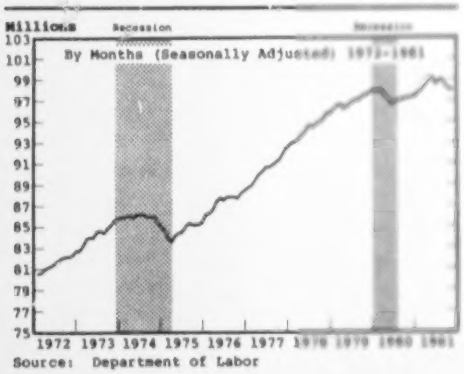
by months (seasonally adjusted) 1973-1981





Source: Board of Governors of the Federal Reserve System

Total Employment



Source: Department of Labor

RECESSION CONFIRMED

A variety of economic indicators now appear to be confirming the onset of the economy's eighth recession since World War II and the second in as many years. The most comprehensive indicator currently available is the Commerce Department's projection for gross national product (GNP) which the Department's Bureau of Economic Analysis released in December. The figures show a sharp decline in the economy in 1981's fourth quarter, with real (inflation-adjusted) GNP projected to fall at a 5.4% rate on an annual basis. If borne out, a decline at this rate would be the sharpest setback for the economy since real GNP declined at a 9.9% annual rate in 1980's second quarter during the last recession. Other indicators of the unfolding recession are detailed in the remainder of this report.

INDUSTRIAL PRODUCTION

Industrial production, which peaked in July, fell an estimated 2.1% in November, following smaller declines of 0.2% in August, 1.2% in September, and 1.4% in October. According to the Federal Reserve Board, declines were widespread again in November with large cutbacks in output of consumer durable goods, construction supplies, business equipment, and both durable and nondurable materials. Industrial production in November was 146.5% of its 1967 average, still somewhat above 140.1% recorded in July 1980, the trough of the last recession.

According to the Federal Reserve, output of consumer goods fell sharply in November, as production of durable consumer goods dropped substantially. Auto assemblies, at an annual rate of 4.8 million units, were almost 13% below their October rate; output of home goods fell by more than 5%, reflecting a deep cut in the production of appliances. Output of consumer nondurable goods declined only a little.

EMPLOYMENT

Like industrial production, total employment continued to decline in November. The Bureau of Labor Statistics reported total employment at 98.0 million in November (seasonally adjusted), down 940,000 from July and the lowest level since February. Adult men made up 70% of the July-November employment reduction, and teenagers accounted for the remainder. Over the past year the labor force has increased 1.6 million (to 107.0 million) with adult women accounting for most of this advance.

INDEXES OF LEADING AND COINCIDENT INDICATORS

The Commerce Department's composite index of leading indicators continued to decline in November, although at a somewhat reduced rate, according to preliminary estimates of the Department's Bureau of Economic Analysis. The preliminary figures show the index declining 0.3% in November, compared to declines of 2.1% in September and 1.6% in October on the basis of more complete data. The preliminary data put the level of the index in November at 127.8% of the 1967 average, down 7% from its recent peak of 137.5 in April.

The composite index of coincident indicators, which is a monthly approximation of aggregate economic activity, decreased 1.1% in November on a preliminary basis, following declines of 0.4% in September and 1.4% in October on the basis of more complete data. These preliminary data show the index at 138.4 of the 1967 average in November down 3% from its cyclical peak of 142.6 recorded in August of this past year.

CONSUMER PRICE INDEX

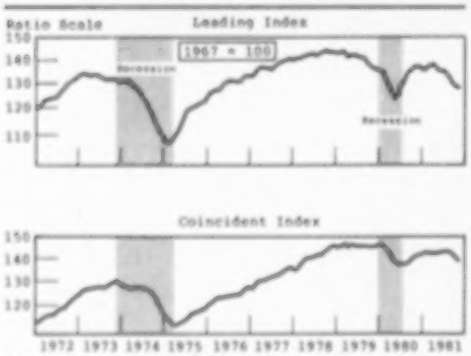
The economy has experienced some moderation in the rate of increase of the Consumer Price Index since mid 1980 relative to 1979 and the first half of 1980. After peaking at more than 18% in March 1980, the compound annual rate of increase in the CPI (calculated on a three month average basis) has declined irregularly to single digits for most of 1981, except for a brief spurt in the summer. Based on experience in previous cycles, the CPI might be expected to continue to decline until economic recovery is underway.

CONSUMER INSTALLMENT CREDIT

Total consumer installment credit at the end of October 1981 was $328.8 billion. Of this amount, $126.2 billion was outstanding in automobile credit, $60.7 billion in revolving credit, $18.3 billion in mobile home credit and $123.6 billion in all other credit (other consumer goods credit and personal loans).

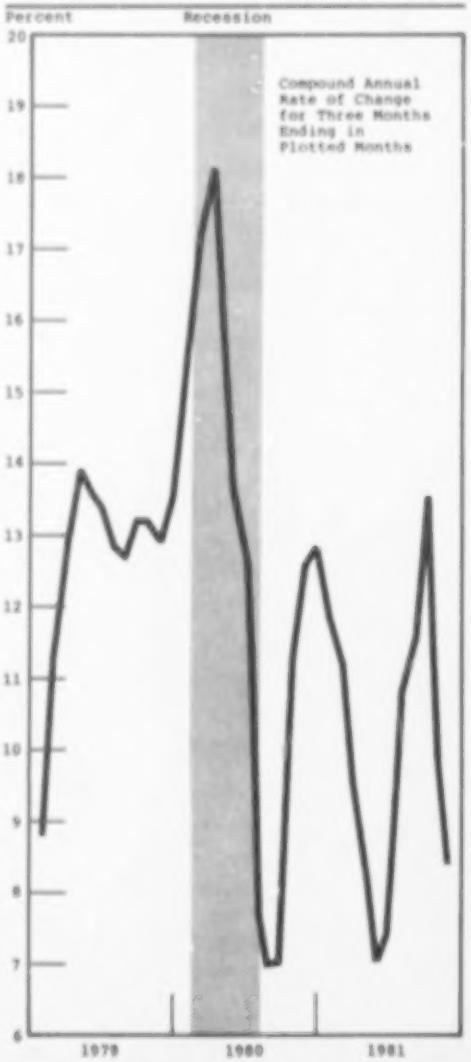
During October 1981, total installment credit outstanding increased only $0.5 billion. Increases were recorded by finance companies ($0.9 billion), retailers ($0.3 billion) and savings and loans ($0.1 billion). Decreases were experienced by commercial banks ($0.2 billion), credit unions ($0.4 billion), and gasoline companies ($0.2 billion).

Composite Indexes By Months 1972-1981



Source: Department of Commerce

Change in Consumer Price Index - All Urban Consumers 1979-1981



Source: Department of Labor

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Undoubtedly, both demand factors (such as population growth, greater willingness to use debt, etc.) and supply conditions (such as improved willingness to make credit available to consumers) account for these significant increases. However, consumers' income and assets' have grown rapidly as well. From $404 billion in the third quarter of 1960, personal income rose to $2.5 trillion by third quarter 1981, a compound growth rate of 9 percent. During 1976-79 personal income rose at a 12 percent rate compounded. Households' total financial assets increased almost as rapidly, reaching 4 1/2 trillion in 1981's third quarter, up at a compound rate of 8 percent from $930 billion in 1960's like quarter. During 1976-79 households' total financial assets increased at an 11 percent rate compounded.

The chart above shows the ratio of consumer installment credit outstanding (including automobile credit, revolving credit, mobile home credit, and personal loans) to consumer liquid assets (currency, deposits, and money market mutual funds shares) for the years 1960-1981. The chart shows that this ratio peaked at 21 percent in 1979 and has declined gradually to around 18 1/2 percent in the third quarter of 1981, the most recent figures available. However, more interesting is the trendless nature of this series over a long period. The range of 18 1/2 - 19 percent over the past four quarters is the same range as in 1960, the last year of the Eisenhower Administration. Rather than indicating increased tightness in the consumer sector in recent years, this ratio suggests that households maintain their installment debt level rather consistently at about 20 percent of liquid assets. Stated alternatively, the chart shows that the consumer sector has maintained liquid assets at about five times its installment indebtedness for an entire generation.

Despite absence of a long-term trend (or of large movements generally), the ratio of households' installment debt to liquid assets does exhibit some cyclicality, rising slightly before business cycle peaks and then falling back during and after recessions. Typically, this ratio falls during recessions as consumers slow their demands for credit while liquid asset holdings continue to grow. In this context, the recession which began in late 1981 is unique among recent downturns. Unlike others, it has followed the previous recession so quickly that the installment debt-liquid asset ratio for the household sector is still falling from the last peak. In fact, recent figures show this ratio at its lowest point since early 1977. As a result, the consumer sector does not appear especially burdened with debt as the economy enters another contractionary phase and, barring any drastic income declines in the recession, consumers should be able to contribute to an economic recovery beginning later this year. Nevertheless, based on past experience, only moderate increases in consumer debt are expected in 1982 or, in other words, until a new cyclical expansion is well underway.

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